

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ESTILL COUNTY WATER DISTRICT NO. 1 AND)	
ITS INDIVIDUAL COMMISSIONERS,)	CASE NO.
GREG WRIGHT, WILLIAM BEARD,)	2017-00467
AND JERRY ARNOLD)	
_____)	
)	
ALLEGED FAILURE TO COMPLY)	
WITH KRS 278.300)	

ORDER

By Order entered January 11, 2018, the Commission initiated this proceeding to determine whether: Estill County Water District No. 1 (“Estill District”); Greg Wright, Chairman; William Beard, Treasurer; and Jerry Arnold, Secretary (collectively “Respondents”), should be subject to the penalties prescribed in KRS 278.990 for an alleged violation of KRS 278.300(1), which states that no utility shall issue any form of indebtedness until it has been authorized to do so by an order of the Commission.

The alleged violation giving rise to this case is Respondents’ execution of three outstanding loans, totaling \$410,940.00, payable to Citizens Guaranty Bank (“Citizens”). The loans originated on October 31, 2013, for \$200,305.00; January 29, 2015, for \$100,305.00; and January 24, 2017, for \$110,330.00. The three Citizens loans were issued on four-year terms, and prior approval was required under KRS 278.300, but was never sought or obtained. Greg Wright, Chairman; William Beard, Treasurer; and Jerry Arnold, Secretary; admitted to executing the alleged loans without prior authorization by the Commission in violation of KRS 278.300(1), in testimony given at the hearing on

November 1, 2017, in Case No. 2017-00176, and in responses filed in this matter on January 31, 2018.

On February 27, 2018, Respondents filed an Offer of Settlement (“Offer”) into the record for the Commission’s consideration. The Offer, attached hereto as the Appendix, provides for remedial action by Commissioners Wright, Beard, and Arnold in full settlement of this proceeding. In complete resolution of this proceeding, Estill District Commissioner Wright, Beard, and Arnold will resign as members of Estill District’s Board of Commissioners within 90 days of the entry of this Order. Commissioners Wright, Beard, and Arnold agree that they will not accept any future appointment to Estill District’s Board of Commissioners. The Commission will not assess any penalty or fine against Estill District for the alleged violations of KRS 278.300.

Based upon the evidence in the record, and being otherwise sufficiently advised, the Commission finds that the Offer is in accordance with law and does not violate any regulatory principle. The Offer is in the public interest, and results in a reasonable resolution of all issues in this case.

IT IS THEREFORE ORDERED that:

1. The Offer is adopted and approved in its entirety as a complete resolution of all issues in this case.
2. Estill District Commissioners Wright, Beard, and Arnold will resign as members of Estill District’s Board of Commissioners within 90 days of the entry of this Order.
3. Commissioners Wright, Beard, and Arnold agree that they shall not accept any future appointment to the Estill District’s Board of Commissioners.

4. The Commission will not assess any penalty or fine against Estill District for the alleged violations of KRS 278.300.

5. The Commission will not assess any penalty or fine against Commissioners Wright, Beard, and Arnold for violations of KRS 278.300.

6. Upon receiving notice in the record of the resignation of Commissioners Wright, Beard, and Arnold, this case shall be closed and removed from the Commission's docket without further Order of the Commission.

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By the Commission

ENTERED
FEB 28 2018
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2017-00467

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00467 DATED FEB 28 2018

RECEIVED

FEB 27 2018

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

ESTILL COUNTY WATER DISTRICT NO. 1)	
AND ITS INDIVIDUAL COMMISSIONERS,)	
GREG WRIGHT, WILLIAM BEARD, AND)	
JERRY ARNOLD)	
_____)	CASE NO. 2017-00467
)	
ALLEGED FAILURE TO COMPLY WITH)	
KRS 278.300)	

OFFER OF SETTLEMENT

Estill County Water District No. 1 (“Estill District”), Commissioner Greg Wright, Commissioner William Beard, and Commissioner Jerry Arnold (“Respondent Commissioners”) (collectively “Respondents”) submit the following Offer of Settlement to resolve this matter.

The Respondents proposed that this matter be resolved in the following manner:

1. Within 90 days of the issuance of an order from the Public Service Commission accepting this Offer of Settlement, each of the Respondent Commissioners will resign from Estill District’s Board of Commissioners.
2. The Respondent Commissioners will not accept any future appointment to Estill District’s Board of Commissioners.
3. No fine or penalty shall be assessed against Estill District for the alleged violations of KRS 278.300 set forth in the Public Service Commission’s Order of January 11, 2018.
4. No fine or penalty shall be assessed against any of the Respondent Commissioners for his conduct related to the alleged violations of KRS 278.300 set forth in the Public Service Commission’s Order of January 11, 2018, including any allegation that the

Respondent Commissioners collectively or individually aided or abetted any willful violation of KRS 278.300 by Estill District.

5. If this Offer of Settlement is accepted, Respondents individually and jointly waive their right to a hearing in this matter and will not petition the Public Service Commission for rehearing or bring an action for review of any order accepting this Offer of Settlement.

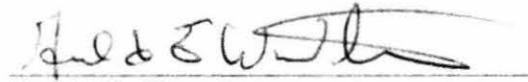
6. Should the Public Service Commission issue an Order accepting this Offer of Settlement and any Respondent fail to comply with the terms of this Offer of Settlement, such Respondent's failure shall be deemed a failure to comply with a lawful order of the Public Service Commission and such Respondent may be subject to the penalties of KRS 278.990(1).

In making this Offer of Settlement, the Respondents do not admit or acknowledge that Estill District has willfully violated KRS 278.300 or that the Respondent Commissioners aided or abetted any willful violation of KRS 278.300. Respondents incorporate by reference into this Offer of Settlement the statements contained in their respective responses to the Public Service Commission's Order of January 11, 2018.

The Respondents respectfully urge the Public Service Commission to find that this Offer of Settlement is reasonable and in the public interest and to accept it without delay. It is in the best interests of Estill District and its ratepayers that this matter be resolved quickly and without incurring further expense. An expedited resolution of this matter will enable Estill District and its employees to devote their full and undivided attention to solving Estill District's serious operational and financial problems and to improving the quality and reliability of service to Estill District's customers.

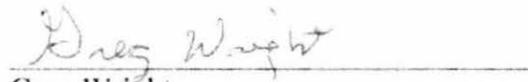
Dated: February 27, 2018

Respectfully submitted,



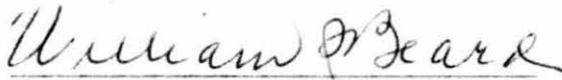
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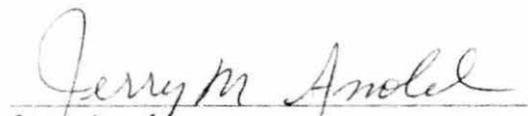
Greg Wright
Estill County Water District No. 1
76 Cedar Grove Road
Irvine, Kentucky 40336

Chair, Estill County Water District No. 1



William Beard
Estill County Water District No. 1
76 Cedar Grove Road
Irvine, Kentucky 40336

Treasurer, Estill County Water District No. 1



Jerry Arnold
Estill County Water District No. 1
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Secretary, Estill County Water District No. 1

Jerry Arnold
Commissioner
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William Beard
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Chairman
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